

**SHERIFF OF WASHINGTON COUNTY
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
FEBRUARY 2004**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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SHERIFF OF WASHINGTON COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

EXECUTIVE SUMMARY

The first three audit findings below were included in our report for the fiscal year ended June 30, 2000, issued June 27, 2002.

The Washington County Sheriff's Office does not have a policies and procedures manual for use by employees.

There is no formal general ledger accounting system in use for the service fee and witness fee funds. Consequently, accountability for transactions is performed primarily through the use of checking accounts while control over cash is focused upon the bank reconciliation process.

An accounts receivable control account is not used to monitor the accuracy of postings made to the accounts receivable subsidiary ledger. The absence of this vital control diminishes the effectiveness of the present system and impedes efforts to monitor the accuracy of subsidiary account postings.

On August 13, 2003, an employee for the Washington County Sheriff's Office was charged with embezzling funds from two separate bank accounts totaling \$3,081.78. Restitution was received with the employee charged on June 13, 2003 and on August 26, 2003, for \$970.00 and \$2,111.78, respectively.

Because none of these audit recommendations were implemented, we have repeated them in the current year findings and recommendations section.

SHERIFF OF WASHINGTON COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
TRANSMITTAL LETTER	1
INTRODUCTION:	
Objectives, Scope, and Methodology	2
Background	2
AUDITORS' OPINION	3
FINANCIAL STATEMENTS:	
Exhibit A: Balance Sheet	4
Exhibit B: Statement of Cash Receipts and Disbursements	5
Notes to Financial Statements	6
OTHER FINANCIAL INFORMATION:	
Service Fee Fund:	
Schedule 1: Statements of Cash Receipts and Disbursements Fiscal Years Ended June 30, 2002 and 2001	8
Witness Fee Fund:	
Schedule 2: Statements of Cash Receipts and Disbursements Fiscal Years Ended June 30, 2002 and 2001	9
FINDINGS AND RECOMMENDATIONS:	
Status of Prior Audit Recommendations	10
Current Year Findings and Recommendations:	
Policies and Procedures Manual	11
Accounting System	12
Accounts Receivable	12
Control Over Checks Issued	12



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February 25, 2004

Mr. William Gingerella
High Sheriff of Washington County
4800 Tower Hill Road
Wakefield, RI 02879

Dear Sheriff Gingerella:

We have completed an audit of the Sheriff of Washington County for the fiscal year ended June 30, 2003 in accordance with Sections 35-7-3 and 35-7-4 of the R.I. General Laws.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Beverly E. Najarian, Director, Department of Administration; to the Steven M. Constantino, Chairperson of the House Finance Committee; and to the Honorable Stephen D. Alves, Chairperson of the Senate Finance Committee.

Sincerely,

Frank J. Collaro, Jr., CFE, CGFM
Acting Chief, Bureau of Audits

FJC:pp

SHERIFF OF WASHINGTON COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

INTRODUCTION

Objectives, Scope, and Methodology

The scope of our audit was to review and test the cash transactions and operating practices followed for the fiscal year ended June 30, 2003. Our objectives were to determine whether the Washington County Sheriff's Office is operating in compliance with applicable state laws and established rules and regulations; the accounting system used is adequate and the procedures followed are efficient and effective; all cash transactions are properly accounted for within the financial accounts and records maintained; controls are in place to sufficiently safeguard and protect assets; and the financial statements for the fiscal year ended June 30, 2003 are presented fairly.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

The findings and recommendations included in this report were based upon our evaluation of tests for compliance with applicable state laws, rules, and regulations; policies and procedures; interviews with personnel; and audit tests and analytical procedures applied to data provided.

Background

As attaches of the courts, the sheriffs or their deputies attend all sessions of the supreme, superior, family, and district courts, as well as the workers' compensation court as requested by the chief judge. The sheriffs also attend the General Assembly when it is in session. Additionally, they execute all writs of process, both civil and criminal; summon witnesses to appear in court; transport prisoners and defendants to court and to state institutions; collect fees for services performed as officers of the court; and perform all other duties assigned to them by law.

The division of sheriffs is a program within the Department of Administration and is headed by an Administrator and an Executive High Sheriff who are both appointed to ten-year terms by the Director of the Department of Administration with the consent of the Governor. County sheriffs and their deputies are also appointed by the director of administration for a period of ten years and are subject to the supervision of the administrator.



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Mr. William Gingerella
High Sheriff of Washington County
State of Rhode Island

We have audited the accompanying financial statements of the Sheriff of Washington County as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Sheriff of Washington County. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects the financial position of the agency funds of the Sheriff of Washington County at June 30, 2003, and the cash receipts and disbursements for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information included in Schedules 1 and 2 of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Frank J. Collaro, Jr., CFE, CGFM
Acting Chief, Bureau of Audits
August 18, 2003

FJC:pp
pc: Gary Diaz, Executive High Sheriff

SHERIFF OF WASHINGTON COUNTY
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 June 30, 2003

	Service Fee Fund	Witness Fee Fund	Total
<u>ASSETS</u>			
Cash	\$ 444.00	3,665.13	4,109.13
Accounts Receivable	4,343.60	394.64	4,738.24
Due From Others	-	2111.78	2,111.78
Total Assets	\$ <u>4,787.60</u>	<u>6,171.55</u>	<u>10,959.15</u>
<u>LIABILITIES</u>			
Advance From General Fund	\$ 444.00	6171.55	6,615.55
Deferred Liabilities	<u>4,343.60</u>	-	<u>4,343.60</u>
Total Liabilities	\$ <u>4,787.60</u>	<u>6,171.55</u>	<u>10,959.15</u>

See accompanying notes to financial statements.

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SHERIFF OF WASHINGTON COUNTY
 AGENCY FUNDS
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FISCAL YEAR ENDED JUNE 30, 2003

	Service Fee Fund	Witness Fee Fund	Total
<u>Cash Receipts</u>			
Service Fees	\$ 52,638.94	-	52,638.94
Advance from General Fund	-	2,471.46	2,471.46
Refunds	3,298.46	-	3,298.46
Other	3,443.27	1,543.50	4,986.77
	<u>59,380.67</u>	<u>4,014.96</u>	<u>63,395.63</u>
Total Cash Receipts			
	<u>59,380.67</u>	<u>4,014.96</u>	<u>63,395.63</u>
<u>Cash Disbursements</u>			
Transfers to General Fund	52,548.94	-	52,548.94
Witness Fees	-	1,832.80	1,832.80
Refunds	3,298.46	-	3,298.46
Other	3,460.67	110.00	3,570.67
	<u>59,308.07</u>	<u>1,942.80</u>	<u>61,250.87</u>
Total Cash Disbursements			
	<u>59,308.07</u>	<u>1,942.80</u>	<u>61,250.87</u>
Excess of Cash Receipts Over Cash Disbursements	72.60	2,072.16	2,144.76
Cash Balance, July 1	371.40	1,592.97	1,964.37
Cash Balance, June 30	\$ <u>444.00</u>	<u>3,665.13</u>	<u>4,109.13</u>

See accompanying notes to financial statements.

:J-10b

SHERIFF OF WASHINGTON COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Fund Accounting

The accounts of the Washington County Sheriff's Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. Only the agency funds are presented in the accompanying financial statements. A description of these funds is as follows:

Agency Funds - are used to account for assets held by the Sheriff as an agent for individuals, private organizations, the general fund and/or other funds. The two types of agency funds maintained are:

- Service Fee Fund - is used to account for monies received for the execution of writs, services performed as an officer of the court, and other duties assigned by law.
- Witness Fee Fund - is used to disburse fees to witnesses for daily attendance before the supreme court or the superior court, or before any other tribunal or magistrate, including attendance in giving depositions.

Basis of Accounting

The accompanying financial statements are presented on the modified accrual basis of accounting as prescribed by generally accepted accounting principles. Agency Funds are custodial in nature; accordingly, at any given point in time, total assets are equally offset by related liabilities including amounts due to the parties for whom the assets are being held.

Note 2 - Accounts Receivable

The accounts receivable balance is comprised of various fees that are due from attorneys and others. The present accounting system does not generate an accounts receivable control, which precludes allocating the changes in the account between balance sheet dates.

Note 3 – Due From Others

The balance in this account (\$2,111.78) represents the unrecovered portion of funds due from a former employee who was charged with embezzlement. Full restitution was received from the employee on August 26, 2003.

Note 4 – Advance From General Fund

This account represents a non-current liability established to provide the necessary working capital to operate the Service Fee Fund.

Note 5 - Deferred Liabilities

For the purpose of financial statement presentation, this account represents a contra-account to accounts receivable.

SHERIFF OF WASHINGTON COUNTY
SERVICE FEE FUND
COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>	<u>Total Memorandum Only</u>
Cash Receipts:			
Service Fees	\$ 43,547.88	34,936.54	78,484.42
Refunds	1,700.00	1,926.30	3,626.30
Other	<u>3078.45</u>	<u>3,112.79</u>	<u>6,191.24</u>
Total Cash Receipts	<u>48,326.33</u>	<u>39,975.63</u>	<u>88,301.96</u>
Cash Disbursements:			
Transfers to General Fund	43,859.58	34,936.54	78,796.12
Witness Fees	240.78	-	240.78
Refunds	1,700.00	1,926.30	3,626.30
Miscellaneous	2,144.77	2,673.60	4,818.37
Other	<u>460.10</u>	<u>434.39</u>	<u>894.49</u>
Total Cash Disbursements	<u>48,405.23</u>	<u>39,970.83</u>	<u>88,376.06</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(78.90)	4.80	(74.10)
Cash Balance, July 1	<u>450.30</u>	<u>445.50</u>	<u>895.80</u>
Cash Balance, June 30	<u>\$ 371.40</u>	<u>450.30</u>	<u>821.70</u>

See accompanying notes to financial statements.

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SHERIFF OF WASHINGTON COUNTY
WITNESS FEE FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>	<u>Total Memorandum Only</u>
Cash Receipts:			
Advance from General Fund	\$ 3,306.03	3,000.00	6,306.03
Other	<u>389.03</u>	<u>650.13</u>	<u>1,039.16</u>
Total Cash Receipts	<u>3,695.06</u>	<u>3,650.13</u>	<u>7,345.19</u>
 Cash Disbursements:			
Witness Fees	2,575.40	1,452.00	4,027.40
Service Fees	-	-	-
Voided Checks	-	-	-
Other	<u>2,639.05</u>	<u>1,162.90</u>	<u>3,801.95</u>
Total Cash Disbursements	<u>5,214.45</u>	<u>2,614.90</u>	<u>7,829.35</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(1,519.39)	1,035.23	(484.16)
Cash Balance, July 1	<u>3,112.36</u>	<u>2,077.13</u>	<u>5,189.49</u>
Cash Balance, June 30	<u>\$ 1,592.97</u>	<u>3,112.36</u>	<u>4,705.33</u>

See accompanying notes to financial statements.

:J-10s2

SHERIFF OF WASHINGTON COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The following audit recommendations were identified in our report for the fiscal year ended June 30, 2000, issued June 27, 2002. Because none of our prior audit recommendations were implemented, we have repeated them as current year findings and recommendations in the section that follows.

Policies and Procedures Manual

1. Develop a policies and procedures manual and distribute it to employees.

Not implemented. (See recommendation 1.)

Accounting System

2. Establish a formal accounting system that integrates a general ledger with books of original entry (e.g., cash receipts and disbursements journal) to enhance accountability.

Not implemented. (See recommendation 2.)

Accounts Receivable

3. Establish an accounts receivable control account to enhance the present system and to facilitate the reconciliation of subsidiary account balances.

Not implemented. (See recommendation 3.)

4. Perform monthly reconciliations between the subsidiary ledger and the control account and resolve differences that are discovered.

Not implemented. (See recommendation 4.)

SHERIFF OF WASHINGTON COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Policies and Procedures Manual

The Washington County Sheriff's Office does not have a policies and procedures manual. A policies and procedures manual would provide management and employees with a systematic approach to the implementation of policies, plans, and work routines. Further, a properly developed manual would convey management's philosophies, improve communications, improve productivity, reduce training time, and strengthen overall operations.

Before organizing and compiling information for the manual the following steps should be considered:

- Select the appropriate personnel who will have the authority and the responsibility for preparing specific sections of the manual and who will have ultimate authority over the entire manual.
- Determine the desired content of the manual.
- Outline the major sources of information for the manual.
- Determine a prescribed communication format to ensure clarity and understanding of the policy and procedure statements.
- Determine the final format and organization of the manual.

Recommendation

1. Develop a policies and procedures manual to comply with Section 42-8.1-17 of the Rhode Island General Laws.

Accounting System

The Sheriff's Office does not maintain a formal accounting system for its service fee and witness fee funds. Accountability for transactions processed is performed primarily through the use of checking accounts while control over cash is focused upon the bank reconciliation process since a formal general ledger is not maintained. The establishment of a general ledger accounting system would enhance accounting and reporting requirements and permit management to make informed decisions concerning financial matters.

Recommendation

2. Establish a formal accounting system that integrates a general ledger with books of original entry (e.g., cash receipts and disbursements journal) to improve accountability.

Accounts Receivable

The Washington County Sheriff's Office maintains an accounts receivable ledger but does not maintain a control. The absence of this vital control diminishes the effectiveness of the present system and impedes all efforts to monitor the accuracy of subsidiary account postings.

Recommendations

3. Implement the use of an accounts receivable control account to improve and facilitate the reconciliation to subsidiary account balances.
4. Perform monthly reconciliations between the subsidiary ledger accounts and the control account.

Control Over Checks Issued

On August 13, 2003, an employee for the Washington County Sheriff's Office, a deputy sheriff/clerk was charged with embezzling funds from two separate bank accounts totaling \$3,081.78. Restitution was received from the employee charged on June 13, 2003 and August 26, 2003, for \$970.00 and \$2,111.78, respectively.

The employee charged was an authorized agent with the authority to issue checks. This same employee was able to write checks to herself for fictitious reasons because of poor internal controls, such as inadequate segregation of duties, the lack of supervisory oversight and review, and the lack of a dual signature requirement for checks issued.

Recommendations

5. Implement a dual signature requirement for all checks that are issued.
6. Improve internal controls by providing for an adequate segregation of employee duties.